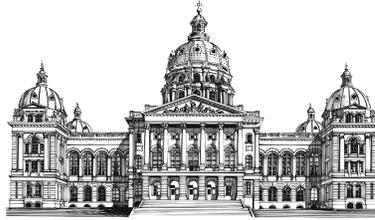


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# Iowa Legislative Services Agency Fiscal Services

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State Capitol  
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September 27, 2005

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## Iowa Tax Revenue Reported to the U.S. Census Bureau

### ISSUE

This *Issue Review* examines the Legislative Services Agency, Fiscal Services Division's findings relating to the tax revenue reported to the Census Bureau compared to the actual revenue recorded in the State accounting system.

### AFFECTED AGENCIES

Department of Administrative Services

### BACKGROUND

Every state provides quarterly reports to the U.S. Census Bureau regarding tax and other revenue collected. For Iowa, the Department of Administrative Services produces the report<sup>1</sup>. Public and private groups, the press, researchers, and private citizens utilize the Census Bureau information to compare the relative tax burden between states, and to determine whether a particular state's burden is changing from year-to-year.

### CURRENT SITUATION

The Fiscal Services Division compared the quarterly amounts reported to the Census Bureau with actual net personal, corporate, inheritance, insurance, tobacco/cigarette, and beer taxes with the revenue deposited into the General Fund for the same quarters. This analysis showed the amounts reported to the Bureau for fiscal quarters two, three, and four matched almost exactly to those recorded in the State accounting system, but the amounts reported for fiscal quarter one were significantly lower than the actual net taxes received by the State.

Next, the Fiscal Services Division studied the components of net revenue in fiscal quarter one, and determined that tax amounts reported to the Census Bureau were underreported by almost exactly the amount of accrued revenue received by the State each year.

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<sup>1</sup> The Department of Revenue and Finance (now the Department of Revenue) prepared the report prior to the reorganization of the Department. A copy of the reporting form is included as **Attachment A**.

After the end of a fiscal year (June 30), revenue associated with the previous fiscal year continues to be remitted by taxpayers. During the months of July, August, and September, the State accounting system “accrues” that revenue back to the previous fiscal year. The months of July, August, and September comprise fiscal quarter one.

A search of the historical Census Bureau and State accounting system records revealed that since the quarter covering July, August, and September 1995, the State has not correctly reported tax revenue to the Bureau. Since that time, the State has not included any accrued tax revenue in the reports filed with the Bureau, resulting in an annual underreporting of actual Iowa tax revenue.

For the quarters starting July 1, 1995, and ending June 30, 2004, the amounts reported to the Census Bureau from the selected sources totaled \$20.539 billion, however, the amounts actually deposited into the General Fund during that same timeframe totaled \$21.932 billion. The difference of \$1.393 billion (6.4%) is largely due to the exclusion of \$1.415 billion in accrued revenue received during the first fiscal quarters<sup>2</sup>. **Attachment B** provides the tax revenue information as it is currently available from the Census Bureau, along with per capita amounts and rankings for each state. **Attachment C** provides the same information with Iowa’s revenue adjusted to the actual amounts for the year.

### **IMPACT OF ISSUE**

Annually underreporting tax revenue to the Census Bureau has made Iowa’s tax revenue appear lower and Iowa’s ranking among all states more favorable than is actually the case<sup>3</sup>.

For FY 2003<sup>4</sup>, the Census Bureau reported Iowa personal income tax at \$1.791 billion, or \$609 per capita. This ranked Iowa 28<sup>th</sup> overall among the states<sup>5</sup>, and also placed Iowa at a level of \$11 per capita below the national average. If the \$116.3 million in additional revenue received during the first quarter had been reported, Iowa’s per capita income tax would have been \$648, placing Iowa at a national rank of 23<sup>rd</sup> and \$28 above the national average.

For the combination of the other five taxes studied, the Census Bureau reported Iowa’s revenue at \$462.8 million and \$157 per capita. This ranked Iowa 36<sup>th</sup> among all states and below the national average of \$218 per capita. If the \$43.0 million in additional revenue received in the first quarter had been reported, Iowa’s per capita tax would have been \$172, ranking Iowa 29<sup>th</sup> for FY 2003.

For all six tax types studied, the Census Bureau reported Iowa FY 2003 tax revenue at \$2.942 billion, or \$766 per capita. This ranked Iowa’s tax burden 31<sup>st</sup> for the selected taxes among the states, and \$71 below the national average of \$837. During the first quarter of FY 2003, Iowa received \$159.3 million in accrued General Fund tax revenue from the six sources. If this revenue

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<sup>2</sup> The remaining difference appears to be due to the failure to include cigarette and inheritance refund adjustments in the numbers reported to the Census Bureau.

<sup>3</sup> This analysis concludes that Iowa’s tax burden is higher than reported to the Census Bureau, making the State’s per capita ranking incorrect, however, it is possible other states also do not report tax revenue correctly. The Fiscal Services Division has no way of verifying the accuracy of other state’s reporting.

<sup>4</sup> The remaining analysis is based on FY 2003 revenue. Fiscal year 2004 information is available from the Census Bureau but is still subject to revision. Fiscal year 2005 data is available through December 2004. A check of revenue reported to the Census Bureau for FY 2004 and FY 2005 reveals the same underreporting issue in quarter one of those years. The report for FY 2006 quarter one will be forwarded to the Census Bureau in October 2005.

<sup>5</sup> The state with the highest per capita tax revenue is ranked number one.

had also been reported to the Census Bureau, Iowa's per capita tax revenue would have been \$820 and its tax burden rank would have ranked 25<sup>th</sup>

Since the Census Bureau report also includes taxes deposited to funds other than the General Fund, such as motor vehicle use tax and motor fuel tax, the actual unreported revenue is higher, as those tax sources also accrue revenue in the first quarter of the fiscal year. In addition, the Fiscal Services Division could not determine the accuracy of the sales and use tax revenue reported to the Census Bureau, as that source appears to have other discrepancies besides the unreported accrued revenue issue.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Tax Revenue Reported to the U. S. Census Bureau

<http://staffweb.legis.state.ia.us/lfb/IRVIEW/irview.htm>

LSA/LFB: IRJWR000.Doc/09/27/2005/8:30 am

<p>FORM <b>F-72</b> (1-19-2001)</p> <p>U.S. DEPARTMENT OF COMMERCE Economics and Statistics Administration U.S. CENSUS BUREAU</p> <p><b>STATE TAX COLLECTIONS</b></p> <p><b>QUARTERLY SURVEY</b></p>	<p><b>A. Name of State</b></p>	<p><b>B. Period covered by this report</b></p> <p>Quarter   Year</p> <p> </p> <p> </p> <p> </p>
<p><b>RETURN TO</b></p> <p><b>U. S. Census Bureau</b> <b>Governments Division</b> <b>Public Finance Branch B</b> <b>Washington, DC 20233-6800</b></p>	<p><b>C. Office or agency</b></p> <p>(Please correct any error in name, address, and ZIP Code)</p>	

FROM THE DIRECTOR  
U.S. CENSUS BUREAU

We are writing to request information needed for our Quarterly Survey of Tax Collections. The Bureau of Economic Analysis will use this information to develop estimates of the Gross Domestic Product — a key economic indicator.

The form on the reverse side shows the data we would like to have concerning your state's tax collections of the past quarter. Please note that you may enter figures either for the entire three-month period or on a month-by-month basis, whichever is more convenient for you.

In any instance where it is difficult to assemble actual collection amounts for minor components that enter into a particular reporting category, you may use estimates of such components.

So that we can disseminate the results of this important survey in a timely manner, **please transmit your report within 30 days.**

The Census Bureau receives its authorization to conduct this important survey work from Title 13, United States Code, Section 161. This form has been approved by the Office of Management and Budget (OMB) and has been given the number 0607-0112. We have displayed this number in the upper right-hand corner of this form, confirming that we have approval from OMB to conduct this survey. If this number were not displayed, we could not request your participation in this survey.

We estimate that it will take from 15 to 45 minutes to complete this form, with an average of 30 minutes per response. This includes time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments, including suggestions for reducing this burden, to the Associate Director for Finance and Administration, Paperwork Reduction Project 0607-0112, Room 3104, FB 3, U.S. Census Bureau, Washington, DC 20233-0001.

If you have any questions concerning this request, please call our Finance Branch, Governments Division, on our toll-free number, 1-800-242-4523. The Census Bureau appreciates your cooperation in this voluntary survey.

Sincerely,



Kenneth Prewitt

**INSTRUCTIONS**

1. Please fill out and return this form within 30 days. FAX your response to 301-457-1423 (if possible) or mail it to the address shown above.
2. Include estimates for items when final figures are not available and mark with an "E."
3. Collection amounts are to be grouped according to the classification system reflected on this form.
4. Please use the "Remarks" space on the reverse side to explain sharp changes caused by other than normal seasonal collection patterns (e.g., new tax sources, rate changes, changes in deductions, etc.).
5. If you have any questions concerning this survey, call the Finance Branch, Governments Division, at 1-800-242-4523.

► **INCLUDE —**

- a. **Taxes of all funds and agencies** — Collection aggregates for each tax source comprising amounts received by all funds and agencies of your State government.
- b. **Protested taxes in revenue accounts** — Amounts of protested taxes which have been transferred to revenue accounts because of legal or administrative determination. (See instruction e.)
- c. **Delinquent taxes** — Collections of delinquent taxes and applicable penalties and interest.
- d. **State collected-locally distributed taxes** — Taxes imposed and received by the State government which are subsequently distributed to local governments.

► **EXCLUDE —**

- e. **Protested taxes in suspense accounts** — Protested taxes paid into suspense funds. (See instruction b.)
- f. **Locally collected/retained taxes** — Locally collected and retained amounts of State imposed taxes.
- g. **Discounts** — Amounts representing discounts or commissions allowed taxpayers.
- h. **Locally retained tax collection costs** — Amounts retained by local government or local officials representing tax collection costs or fees.
- i. **Transfers between funds** — Amounts representing transfers between funds (except for instruction b) or amounts collected in a prior period and distributed to local governments during this period.

**ATTACHMENT A**

ID	State name	Period covered by this report <span style="font-size: small;">→</span>	Quarter	Year		
<b>TAX COLLECTIONS</b> <b>(Net of refunds except when otherwise indicated)</b> Please report <b>either</b> in terms of 3-month totals or in terms of individual month amounts whichever is more convenient.		<i>Omit cents</i>				
		<b>TOTAL</b>				
<b>1. Property taxes</b>						
a. Directly State-collected	<b>T01</b>	\$	\$	\$		
b. Received from local government collection agencies	<b>T02</b>					
<b>2. General sales and gross receipts taxes (and related use taxes)</b>						
a. State imposed taxes (plus any retained portion of local supplements)	<b>T09</b>					
Collections of locally imposed supplements to State general sales taxes (net of State-retained amount)						
<b>3. Motor fuel sales taxes</b>						
a. Gross collections						
b. Refunds during period						
c. Net collections — (a minus b)	<b>T13</b>					
<b>4. Selective sales and gross receipts taxes, other than motor fuel</b>						
a. Alcoholic beverages	<b>T10</b>					
b. Public utilities	<b>T15</b>					
c. Insurance	<b>T12</b>					
d. Tobacco products	<b>T16</b>					
e. Pari-mutuels	<b>T14</b>					
f. Amusements	<b>T11</b>					
g. Other selective sales and gross receipts	<b>T19</b>					
<b>5. License taxes</b>						
a. Alcoholic beverages	<b>T20</b>					
b. Public utilities	<b>T27</b>					
c. Motor vehicles	<b>T24</b>					
d. Motor vehicle operator	<b>T25</b>					
e. Corporations in general	<b>T22</b>					
f. Hunting and fishing licenses	<b>T23</b>					
g. Amusements	<b>T21</b>					
h. Occupation and business licenses not elsewhere classified	<b>T28</b>					
i. Other license taxes	<b>T29</b>					
<b>6. Individual income taxes</b>						
a. Gross collections						
b. Refunds during period						
c. Net collections — (a minus b)	<b>T40</b>					
<b>7. Corporation net income taxes</b>						
		<b>T41</b>				
<b>8. Death and gift taxes</b>						
		<b>T50</b>				
<b>9. Severance taxes</b>						
		<b>T53</b>				
<b>10. Documentary and stock transfer taxes</b>						
		<b>T51</b>				
<b>11. Other miscellaneous taxes</b>						
		<b>T99</b>				
<b>CENSUS USE ONLY</b>		<b>T77</b>	<b>13. Remarks</b>			
<b>12. DATA SUPPLIED BY</b>	Name					
	Title					
	Telephone	Area code	Number	Extension		

## Selected State Tax Collections as Reported by the US Census Bureau - FY 2003

Revenue Dollars in Thousands, Per Capita Amount in Dollars

	Individual Income	Corporate Income	Inheritance & Estate	Insurance	Cig & Tobacco Products	Alcoholic Beverages	Total	Per Capita	Rank
US Total	\$179,810,479	\$28,099,921	\$6,691,381	\$12,606,687	\$11,379,258	\$4,458,179	\$243,045,905	\$837	
Alabama	2,038,790	192,637	59,240	226,585	63,475	126,519	2,707,246	601	36
Alaska	0	207,075	1,222	43,391	42,681	22,466	316,835	489	43
Arizona	2,102,360	389,406	120,855	230,359	190,103	54,083	3,087,166	553	38
Arkansas	1,528,231	176,875	63,551	89,015	99,681	33,817	1,991,170	730	33
California	32,709,761	6,803,559	932,005	1,879,784	1,055,505	290,564	43,671,178	1,231	7
Colorado	3,231,220	199,853	54,299	174,789	64,523	29,836	3,754,520	826	22
Connecticut	3,639,070	344,684	188,559	225,267	253,817	42,491	4,693,888	1,346	3
Delaware	710,304	66,721	39,000	63,628	36,437	12,239	928,329	1,135	8
Florida	0	1,226,980	558,880	510,940	478,622	607,748	3,383,170	199	46
Georgia	6,271,375	484,140	88,496	323,361	113,065	142,010	7,422,447	855	19
Hawaii	1,037,855	30,604	15,524	76,671	72,297	41,185	1,274,136	1,020	14
Idaho	843,781	93,490	15,948	76,614	29,619	6,326	1,065,778	780	29
Illinois	7,340,982	1,293,188	236,643	328,198	605,057	141,981	9,946,049	786	27
Indiana	3,644,159	729,165	197,975	177,292	352,375	37,678	5,138,644	829	21
Iowa	1,791,129	140,031	72,898	142,235	94,934	12,660	2,253,887	766	31
Kansas	1,776,884	124,520	46,951	121,319	133,760	83,961	2,287,395	839	20
Kentucky	2,750,336	269,187	124,658	112,297	15,657	63,224	3,335,359	810	25
Louisiana	1,862,675	198,126	58,681	333,447	82,071	70,662	2,605,662	580	37
Maine	1,074,826	91,189	30,520	77,872	94,398	44,243	1,413,048	1,079	10
Maryland	4,681,860	379,019	142,122	238,258	279,015	25,651	5,745,925	1,042	12
Massachusetts	8,026,149	1,184,610	181,285	366,430	451,044	66,956	10,276,474	1,601	1
Michigan	6,246,814	1,952,994	102,947	234,367	891,361	139,553	9,568,036	949	17
Minnesota	5,371,829	593,275	127,686	226,830	176,123	62,832	6,558,575	1,295	4
Mississippi	934,073	244,399	22,413	168,227	55,576	39,458	1,464,146	508	40
Missouri	3,519,844	205,729	78,441	238,803	108,149	26,810	4,177,776	730	33
Montana	535,830	44,138	13,305	54,791	18,453	19,301	685,818	747	32
Nebraska	1,122,893	109,597	15,265	38,908	66,190	17,834	1,370,687	789	26
Nevada	0	0	34,649	174,014	67,191	17,284	293,138	131	48
New Hampshire	55,118	396,162	56,492	74,291	94,029	12,045	688,137	534	39
New Jersey	6,735,282	2,397,043	445,311	373,276	642,829	83,075	10,676,816	1,235	6
New Mexico	937,708	117,003	17,837	81,814	19,529	39,008	1,212,899	646	35
New York	22,179,080	2,000,053	674,253	778,295	1,072,081	181,933	26,885,695	1,399	2
North Carolina	7,089,143	898,368	131,809	417,165	41,999	199,582	8,778,066	1,042	12
North Dakota	199,389	55,988	7,304	28,295	20,461	5,662	317,099	501	41
Ohio	7,916,410	794,645	100,811	376,476	599,940	87,258	9,875,540	863	18
Oklahoma	2,153,806	106,996	74,917	224,045	71,224	69,501	2,700,489	770	30
Oregon	4,023,579	225,501	51,431	57,341	242,896	13,004	4,613,752	1,294	5
Pennsylvania	6,661,780	1,189,314	673,547	558,508	877,085	219,908	10,180,142	823	23
Rhode Island	824,870	67,118	27,182	51,732	94,938	10,452	1,076,292	1,000	15
South Carolina	1,481,255	173,886	43,744	146,378	29,192	175,944	2,050,399	494	42
South Dakota	0	43,976	31,459	49,926	21,672	11,069	158,102	207	45
Tennessee	121,809	612,943	85,407	316,048	113,925	79,093	1,329,225	227	44
Texas	0	0	235,052	1,068,144	564,505	571,368	2,439,069	110	49
Utah	1,572,512	148,218	32,978	100,286	51,833	28,156	1,933,983	822	24
Vermont	411,343	41,641	15,605	44,258	87,538	16,247	616,632	996	16
Virginia	6,775,746	328,444	143,325	333,004	15,421	139,455	7,735,395	1,050	11
Washington	0	0	124,379	316,689	362,367	180,557	983,992	160	47
West Virginia	1,055,523	181,179	10,836	112,590	45,062	8,652	1,413,842	781	28
Wisconsin	4,823,096	546,252	68,702	128,247	309,206	45,555	5,921,058	1,082	9
Wyoming	0	0	14,982	16,187	10,347	1,283	42,799	85	50

## Selected State Tax Collections as Reported by the US Census Bureau - FY 2003

Revenue Dollars in Thousands, Per Capita Amount in Dollars

Revised to Reflect Correct Iowa Tax Revenue

	Individual Income	Corporate Income	Inheritance & Estate	Insurance	Cig & Tobacco Products	Alcoholic Beverages	Total	Per Capita	Revised Rank
US Total	\$179,926,731	\$28,128,730	\$6,704,909	\$12,606,687	\$11,378,692	\$4,458,179	\$243,205,186	\$838	
Alabama	2,038,790	192,637	59,240	226,585	63,475	126,519	2,707,246	601	36
Alaska	0	207,075	1,222	43,391	42,681	22,466	316,835	489	43
Arizona	2,102,360	389,406	120,855	230,359	190,103	54,083	3,087,166	553	38
Arkansas	1,528,231	176,875	63,551	89,015	99,681	33,817	1,991,170	730	33
California	32,709,761	6,803,559	932,005	1,879,784	1,055,505	290,564	43,671,178	1,231	7
Colorado	3,231,220	199,853	54,299	174,789	64,523	29,836	3,754,520	826	22
Connecticut	3,639,070	344,684	188,559	225,267	253,817	42,491	4,693,888	1,346	3
Delaware	710,304	66,721	39,000	63,628	36,437	12,239	928,329	1,135	8
Florida	0	1,226,980	558,880	510,940	478,622	607,748	3,383,170	199	46
Georgia	6,271,375	484,140	88,496	323,361	113,065	142,010	7,422,447	855	19
Hawaii	1,037,855	30,604	15,524	76,671	72,297	41,185	1,274,136	1,020	14
Idaho	843,781	93,490	15,948	76,614	29,619	6,326	1,065,778	780	30
Illinois	7,340,982	1,293,188	236,643	328,198	605,057	141,981	9,946,049	786	28
Indiana	3,644,159	729,165	197,975	177,292	352,375	37,678	5,138,644	829	21
Iowa	1,907,381	168,840	86,426	142,235	94,368	13,918	2,413,168	820	25
Kansas	1,776,884	124,520	46,951	121,319	133,760	83,961	2,287,395	839	20
Kentucky	2,750,336	269,187	124,658	112,297	15,657	63,224	3,335,359	810	26
Louisiana	1,862,675	198,126	58,681	333,447	82,071	70,662	2,605,662	580	37
Maine	1,074,826	91,189	30,520	77,872	94,398	44,243	1,413,048	1,079	10
Maryland	4,681,860	379,019	142,122	238,258	279,015	25,651	5,745,925	1,042	12
Massachusetts	8,026,149	1,184,610	181,285	366,430	451,044	66,956	10,276,474	1,601	1
Michigan	6,246,814	1,952,994	102,947	234,367	891,361	139,553	9,568,036	949	17
Minnesota	5,371,829	593,275	127,686	226,830	176,123	62,832	6,558,575	1,295	4
Mississippi	934,073	244,399	22,413	168,227	55,576	39,458	1,464,146	508	40
Missouri	3,519,844	205,729	78,441	238,803	108,149	26,810	4,177,776	730	33
Montana	535,830	44,138	13,305	54,791	18,453	19,301	685,818	747	32
Nebraska	1,122,893	109,597	15,265	38,908	66,190	17,834	1,370,687	789	27
Nevada	0	0	34,649	174,014	67,191	17,284	293,138	131	48
New Hampshire	55,118	396,162	56,492	74,291	94,029	12,045	688,137	534	39
New Jersey	6,735,282	2,397,043	445,311	373,276	642,829	83,075	10,676,816	1,235	6
New Mexico	937,708	117,003	17,837	81,814	19,529	39,008	1,212,899	646	35
New York	22,179,080	2,000,053	674,253	778,295	1,072,081	181,933	26,885,695	1,399	2
North Carolina	7,089,143	898,368	131,809	417,165	41,999	199,582	8,778,066	1,042	12
North Dakota	199,389	55,988	7,304	28,295	20,461	5,662	317,099	501	41
Ohio	7,916,410	794,645	100,811	376,476	599,940	87,258	9,875,540	863	18
Oklahoma	2,153,806	106,996	74,917	224,045	71,224	69,501	2,700,489	770	31
Oregon	4,023,579	225,501	51,431	57,341	242,896	13,004	4,613,752	1,294	5
Pennsylvania	6,661,780	1,189,314	673,547	558,508	877,085	219,908	10,180,142	823	23
Rhode Island	824,870	67,118	27,182	51,732	94,938	10,452	1,076,292	1,000	15
South Carolina	1,481,255	173,886	43,744	146,378	29,192	175,944	2,050,399	494	42
South Dakota	0	43,976	31,459	49,926	21,672	11,069	158,102	207	45
Tennessee	121,809	612,943	85,407	316,048	113,925	79,093	1,329,225	227	44
Texas	0	0	235,052	1,068,144	564,505	571,368	2,439,069	110	49
Utah	1,572,512	148,218	32,978	100,286	51,833	28,156	1,933,983	822	24
Vermont	411,343	41,641	15,605	44,258	87,538	16,247	616,632	996	16
Virginia	6,775,746	328,444	143,325	333,004	15,421	139,455	7,735,395	1,050	11
Washington	0	0	124,379	316,689	362,367	180,557	983,992	160	47
West Virginia	1,055,523	181,179	10,836	112,590	45,062	8,652	1,413,842	781	29
Wisconsin	4,823,096	546,252	68,702	128,247	309,206	45,555	5,921,058	1,082	9
Wyoming	0	0	14,982	16,187	10,347	1,283	42,799	85	50